

Finance and Administration Cabinet (39)

Strategic Plan Progress Report • August 31, 2012 • Agency Strategic Plan Revision Number 1.0

Goal 1: Deliver highest quality services to FAC customers

1.1 Measure FAC programs and services to expectations of external organizations

1.1.1 Commonwealth bond ratings

The Commonwealth's General Fund ratings have not changed, but carry a negative outlook by Fitch and Moody's, and are experiencing downward pressure due to unfunded pension liabilities and structural imbalances.

1.1.2 Commonwealth investment practices

The State Investment Commission through the Office of Financial management hired an external consultant to review the state's investment statutes, regulations, accounting, operations, and recommend best practices. The Commission adopted the recommendations at the March 2012 meeting and most of the recommendations have been implemented. Others will be phased in over the next year. Administrative Regulation changes have been filed. A bill will need to be filed in the 2013 Regular Session for statutory house-keeping.

1.1.3 Certificate for Achievement for Excellence in Financial Reporting from the Government Finance Officers Association

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for the 25th consecutive year.

1.1.4 Audit exceptions in the APA statewide single audit and associated audits

This is an ongoing process, OPA has been working with the affected areas to address the outstanding issues with significant progress in a number of areas.

1.1.5 Comprehensive and timely ARRA reporting

OPA continues to monitor the Executive Branch ARRA quarterly reporting. OPA completed all scheduled ARRA reviews for 2011-2012

1.1.6 The Center for Digital Government ranking of electronic government services or web presence

Response to Digital State Survey submitted 8/6/12. Results will be announced at the NASCIO conference in September.

1.1.7 Rating of the Kentucky Open Door website by US Public Interest Rating Group

The Kentucky Open Door Website is a national leader in online transparency, and has garnered a top rating for the past three years. Improvements are being made to ensure the program's continued success.

1.2 Retain a highly competent and diverse workforce

1.2.1 Employee turn-over ratio

The Personnel Cabinet distributes quarterly turnover reports and the Cabinet responds annually regarding justification for the turnover ratios.

1.2.2 Minority and female diversity

Minority and female diversity – Long-term hiring goals for minorities and females are 10.0% and 52.42%, respectively. The goals, which were established in 2004, are based on Kentucky population data from the 2000 U.S. Census.

For the period ending July 31, 2012, minorities comprised 7.62% of the Cabinet's workforce and females comprised 46.59% of the workforce. These percentages are below the hiring goals.

The current economic/employment climate makes achieving an appreciable change challenging. However, as part of the Cabinet's efforts to increase long-term hiring goals, the Office of the Secretary held an executive staff meeting that focused on changing demographics and the implications for Kentucky state government. In addition, employees are required to attend civil rights training every two years and the Office of EEO/Contract Compliance provides anti-harassment and diversity training.

(Note: employment data provided by the Kentucky Personnel Cabinet.)

1.2.3 Job-specific staff development opportunities

The Governmental Services Center (GSC), within the Personnel Cabinet provides learning opportunities and performance consulting services that assist individuals and organizations in Kentucky state and local governments to continuously improve performance. Finance and Administration Cabinet employees can register for training through the Division of Human Resources.

The Finance and Administration Cabinet requires employees to pursue a minimum of 7.5 hours of training per year. The training is encouraged to be job specific; however, the employees can choose the training of their choice, as long as it is approved by the supervisor.

The Department of Revenue offers several job specific trainings throughout the year for their employees. A list of those trainings can be found at www.krew.ky.gov/training.

The Commonwealth Office of Technology also encourages employees to attend job specific trainings as they come available.

1.2.4 Management skills development available to current management staff as well as staff interested in pursuing management opportunities in the future

The Governmental Services Center (GSC) provides a Certificate of Management Fundamentals (CMF). The CMF certificate focuses on developing and enhancing competencies required for effectively improving personal performance and the performance of others. The CMF is appropriate for employees with the motivation to grow in their current jobs and the desire to assume even greater responsibility. GSC anticipates developing a program similar to the previously offered Certified Public Manager (CPM) program – anticipated date is yet to be determined.

101 KAR 2:180 Section1 mandates that all supervisors are required to attend Performance Management training offered by the Personnel Cabinet for training on the performance evaluation system.

1.3 Meet the expectations of citizens and agencies across the executive branch

1.3.1 Broadband access

According to the state's broadband map (<http://www.broadbandmap.gov/summarize/state/kentucky>) data – 92.5% of Kentucky's population has access to broadband as opposed to 98.7% nationwide

1.3.2 Broadband utilization

According to the Office of Broadband Outreach and Development approximately 58% of Kentucky's population with access utilizes broadband

1.3.3 Voluntary electronic tax filers

The Department of Revenue has changed the "Efficiency Measure" from "Total revenue collected per total dollar spent" to total electronic filing to paper filing. The Department of Revenue is concentrating on e-file/e-pay as a way to reduce costs while maintaining and improving services.

The number of Individual Income Tax returns filed electronically in tax filing year 2012 represented 80% of the total number filed. This was an increase of 5% over the previous year.

The number of business tax returns filed electronically in fiscal year 2012 represented 25% of the total number filed. This was an increase of 5% over the previous year.

1.3.4 Post-procurement contract management

This effort is resource contingent, and has been slow to start. OPA is in the process of evaluating the feasibility of analytical tools which would assist in programmatic or financial audits.

1.3.5 Re-launch the FAC web site

The Cabinet launched the new FAC website in April of 2012.

1.3.6 Dept of Revenue productivity

Programs and processes currently under development or upgrades include 2012 Kentucky Tax Amnesty, CACS-G Upgrade, Discovery Data Warehouse, Professional License Discovery, and Enterprise Fraud Detection RFP

The Office of Property Valuation conducted twenty-two (22) seminars in fiscal year 2012 with a total of 450 in attendance.

The number of information packets available via the Department of Revenue website has increased by 29% in fiscal year 2012 and represents both Individual Income and various business taxes.

The Department of Revenue partners with the University of Kentucky and the Internal Revenue Service to provide annual tax practitioner education through a two (2) day tax school hosted in selected areas throughout the state. In fiscal year 2013 the Department of Revenue has scheduled seventeen (17) workshops from November 2012 through January 2013.

As part of post-amnesty initiatives, the Department of Revenue is developing a data warehouse for the purpose of discovering non filers and under reporters to increase compliance. This warehouse will contain both internal and 3rd party taxpayer information. This will reduce the number and dollar amount of uncollectable tax bills by targeting the amounts actually due.

As part of the post-amnesty initiatives, the Department of Revenue is upgrading its collection system, which will increase the number of automatic collection functions, thus freeing collectors to spend more time in taxpayer education and compliance. Collection cycle times will be reduced.

Form 10A104 "Update or Cancellation of Kentucky Tax Account(s)" was developed so that taxpayers could easily inform the department of common changes to account information and request updates across all tax types. In fiscal year 2012, over 2,600 businesses utilized this form to update their account information.

As part of the August 2012 revision of the 10A100 "Kentucky Tax Registration Application," the instructions were revised utilizing the Federal Plain Language guidelines in an effort to make completion of the form more user-friendly.

The Business One Stop portal, since the go live date of October 2011, has provided an electronic registration process for new businesses and streamlined that process with the Secretary of State's office. The online registration has reduced the number of common filing errors, reduced compliance efforts and simplified the application by eliminating those sections that do not apply to the taxpayer. Since October 2011, twenty four percent (24%) of applications received were submitted online.

1.3.7 MWBE certification program participation

MWBE certification program participation – The establishment of the Kentucky Minority and Women Business Enterprise Certification Program is a critical step toward creating, maintaining and promoting Kentucky’s valuable women and minority owned businesses. The Program got underway in December 2010. Its primary objective is to encourage growth among Kentucky businesses owned by women and minorities and to assist those businesses in locating and obtaining additional business opportunities. Certification also allows minority and women owned businesses to compete for work in states outside of the Commonwealth of Kentucky that require certification by a statewide body.

For the period ending July 31, 2012, seventy-five (75) businesses were certified. Details follow.

- *75 certified businesses*
 - ✓ *17 MBEs*
 - ✓ *15 MWBEs*
 - ✓ *43 WBEs*
- *69 businesses located in KY (with 573 full-time employees)*
 - ✓ *7 businesses in Fayette County*
 - ✓ *38 businesses in Jefferson County*
- *Products/Services provided include:*
 - ✓ *Engineering, Manufacturing, Office Furniture, Publishing, Real Estate, Accounting, Uniform Cleaning, Construction, Event Production, Corporate Gifts, Printing, Environmental Consulting, Commercial Interior Design, Marketing Research, Document Translation, Life Coach, Metal Fabrication, Wholesale/Retail Distributor, Playground Equipment Sales, etc.*

Key: MBE-minority owned; MWBE-minority woman owned; WBE-woman owned

Goal 2: Operate with the greatest level of efficiency

2.1 Strengthen use of shared services offered by FAC

2.1.1 Enterprise-wide use of shared IT services

Across all COT rated services, total units sold increased in 26 of 37 categories. Decreases in usage of 6 rates (local, long distance & calling card calls, directory assistance, fax usage, and DSL) are seen positively as more efficient use of other, more modern technology services)

2.1.2 Use of shared motor pool

To reduce the amount of personal owned vehicle (POV) mileage reimbursements. Thru the increased use of the Motor Pool, POV reimbursements should continue to decline. The chart below illustrates the increase in Motor Pool reservations. It appears that 2012 will have slightly less reservations than 2011 but this could be due to a number of factors.

<i>Year</i>	<i>Completed Reservations</i>
<i>2010</i>	<i>8877</i>
<i>2011</i>	<i>9075</i>
<i>2012 (thru July 31)</i>	<i>5209</i>

2.1.3 Discounted US postal service rates

The total amount of mail mailed by the Division of Postal Services last fiscal year was 29,058,067 pieces. Of that total we received a discount from the USPS on 90.2% of that mail.

2.1.4 KY Automotive Self-insurance Program participation

The name of the Program is the Kentucky Self-insured Auto Program (KSAP). KSAP began operation October 1, 2011. As we are still completing the structuring and loss control program and have only experienced 3/4ths of a fiscal year's operation, it is still too early to measure all of the long term quantitative results. However as a direct result of this initiative, statewide vehicle insurance premiums have been reduced by 15%, for FY 2013.

2.1.5 ePay utilization

The ePAY upgrade is underway with the first pilot agency scheduled to go live September 17. If all goes well we plan to have all ePay users on the new platform by the end of the calendar year or shortly thereafter.

2.1.6 EFT utilization

We continue to encourage vendors and employees to take advantage of EFT which is cost effective and timely. Currently two thirds of the dollars and over half of our transactions are paid via EFT.

2.1.7 Maximize centralized or shared investments

The State Investment Commission through the Office of Financial Management hired an external consultant to review the state's investment statutes, regulations, accounting, operations, and recommend best practices. The Commission adopted the recommendations at the March 2012 meeting and most of the recommendations have been implemented. Others will be phased in over the next year. Administrative Regulation changes have been filed. A bill will need to be filed in the 2013 Regular Session for statutory house-keeping.

2.1.8 Energy utilized in state-owned buildings

CEMCS

In the past year, the implementation of the Pilot Program portion of the Commonwealth Energy Management and Control System has been completed. The buildings are operating 13% more efficiently during the most recent 12 months than the during the baseline year (fiscal year 2009).

That operational improvement represents an annual cost savings of nearly \$1.3 million. In addition to the \$1.3 million in operational savings there is an additional \$250,000 in annual savings derived from rate structure analysis. This rate structure analysis is the product of the owner agency working with the utility and CEMCS to ensure the rates are exactly right on each individual meter and account.

These savings of \$1.55 million are the result of an investment in the pilot project of \$4.75 million.

ESPC

In response to the Governor's energy strategy, the Division of Facility Efficiency has implemented an unprecedented amount of ESPC projects in the last several years. In the past year alone over we have inked contracts for projects that will save a total of over \$65,000,000 in utility and operational savings.

Contract Effective Date	Requesting Agency	Contract Amount	Project Description 1	Vendor Name
5/14/2012	Cabinet for Health & Family Services	\$ 1,163,853	Outwood and Caney Creek facilities	Trane U.S., Inc.
10/3/2011	Department of Fish & Wildlife	\$ 204,903	Department of Fish & Wildlife	Earthwell Energy Management, Inc.
3/19/2012	Morehead State University	\$ 9,671,127	Campus wide project	Siemens Industry, Inc.
12/27/2011	Department of Corrections	\$12,665,428	Bell Co Forestry Camp, Little Sandy and Eastern KY Correctional complex	Energy Systems Group
8/6/2012	Department of Corrections	\$ 9,975,000	Blackburn Correctional Complex, Northpoint Training Center, KCIW, Green River	Noresco, LLC
12/27/2011	KCTCS	\$ 4,662,066	Big Sandy CTC, Gateway CTC, Maysville CTC, Ashland CTC	Ameresco, Inc.
2/20/2012	Department of Parks	\$ 10,867,111	Various locations, resort parks	Ameresco, Inc.
1/23/2012	Education Cabinet	\$ 599,785	Charles W. McDowell Rehabilitation Center	Trane U.S., Inc.
Not yet under contract	Justice & Public Safety Cabinet		Kentucky State Police Posts	Earthwell Energy Management, Inc.
7/2/2012	KY Fair Board	\$ 10,559,181	Kentucky Fair & Exposition Center, and KY International Convention Center	Noresco, LLC
7/23/2012	Finance Facilities & Support Services	\$ 4,891,610	Finance Facilities & Support Services - various facilities	Energy Systems Group
	Total	\$ 65,260,064		

2.2 Strengthen dialogue with FAC staff

2.2.1 Issue an FAC-wide newsletter

The Finance and Administration Cabinet issued 4 Cabinet-wide newsletters during 2011. The Cabinet is currently without a Public Information Officer/Communications Director. Therefore, no newsletters have been released for 2012.

2.2.2 Renovate and re-launch the FAC Intranet

The program/project has not yet begun

2.2.3 Face-to-face communication among all levels of the organization

The Secretary of the Finance and Administration Cabinet continues to hold regular staff meetings with all Division Directors, Commissioners, Executive Directors, and senior staff. The Secretary also plans to attend a gathering of agency staff in September.

2.2.4 Reduce “Finance All” email messages

With the loss of the Public Information Officer, this information cannot be determined. However, the Cabinet is committed to limiting these messages whenever necessary to avoid interrupting the agencies’ staff’s work time.

Goal 3: Administer governmental operations effectively

3.1 Increase the accountability of state government via transparency

3.1.1 Maximize Open Door

The Kentucky Open Door Website is a national leader in online transparency, and has garnered a top rating for the past three years. Improvements are being made to ensure the program’s continued success.

3.1.2 Open records request processing

The Open Records procedure has not changed recently. We continue to make forms available online to assist the public in submitting an ORR. The number of requests has decreased in the past year due to availability of information on Open Door.

3.1.3 Enhance citizen’s abilities to initiative open records requests

The Open Records procedure has not changed anytime recently. We continue to make forms available online to assist the public in submitting an ORR. The number of requests has decreased in the past year due to availability of information on Open Door.

3.2 Reinforce the principles of data quality in the Commonwealth's management systems

3.2.1 Develop and conduct eMARS data quality workshops for all eMARS user agencies

Provided training to eMARS users prior to the go live date of our 3.9 financial system upgrade. Continue to provide quarterly newsletters to eMARS users and

in the process of updating all training materials prior to scheduling classes for the fourth quarter of the calendar year.

3.2.2 Conduct informational seminars for local officials by Dept of Revenue

The Office of Property Valuation conducts property tax courses on different topics for Property Valuation Administrators (PVAs), deputies and Department of Revenue Personnel. The Office of Property Valuation conducted twenty-two (22) seminars in fiscal year 2012 with a total of 450 in attendance.

The Department of Revenue is currently working with an approved vendor to assess agency training needs. Each office/division currently provides specialized training to new employees on tax systems and tax administration.

The Offices of Income Taxation and Sales & Excise Tax offer several training sessions to agency personnel. In fiscal year 2012, the training branches for these Offices conducted a total of 53 classes for agency personnel with an average attendance of sixty (60) in each class. Attendees were a mix of Frankfort and field personnel. In addition, selected personnel were able attend annual tax schools offered to tax practitioners.

3.2.3 Strengthen Dept of Revenue-sponsored outreach

The number of information packets available via the Department of Revenue website has increased by 29% in fiscal year 2012 and represents both Individual Income and various business taxes.

The Department of Revenue has a listing of employees who are multi-lingual on the agencies Intranet website. Currently the Department of Revenue has fifteen (15) employees assigned to provide bi-lingual taxpayer assistance. Available languages include Mandarin, Cantonese, French, German, Hindi, Nepali, Russian, Hebrew, Serbo-Croatian, Spanish and sign language.

The Department of Revenue partners with the University of Kentucky and the Internal Revenue Service to provide annual tax practitioner education through a two (2) day tax school hosted in selected areas throughout the state. In fiscal year 2013 the Department of Revenue has scheduled seventeen (17) workshops from November 2012 through January 2013.

The Department of Revenue works with AARP to provide technical training to AARP representatives, who in turn provide free tax preparation services to the public. Two (2) training sessions have been scheduled for fiscal year 2013.

The Department of Revenue's Office of Sales and Excise Taxes provides training on tax issues upon request. In fiscal year 2012, the Office of Sales and Excise Taxes provided a sales tax overview to the Kentucky Bar Association and training on sales tax issues to the Kentucky Auctioneer's Association.

The Department of Revenue provides to the Tax Executives Institute annually, business community updates on various taxing legislative changes.

The Department of Revenue provides the Tax Alert and Sales Tax Facts publications to the taxpayer on a quarterly basis. These publications are primarily made available on the Department of Revenue website, but can be mailed upon taxpayer request.

The Department of Revenue regularly provides articles to professional publications on tax-specific items, upon request.

The Department of Revenue provides a variety of assistance options – telephone, email, and live chat. During tax season, taxpayers may check on their Individual Income Tax refund using a toll-free telephone line.

The Department of Revenue provides web-based taxpayer assistance through group emails on various type taxes and live chat.

All press releases are now online for public distribution.

3.2.4 Professional development opportunities within staff workplaces

The Finance and Administration Cabinet requires employees to pursue a minimum of 7.5 hours of training per year. The training is encouraged to be job specific; however, the employees can choose the training of their choice, as long as it is approved by the supervisor.

3.3 Continuity of governmental operations

3.3.1 Develop a backup and job turnover plan for employees

The Cabinet does not currently have such a plan; however, cross training of employees is strongly encouraged.

3.3.2 Create a leadership development program for FAC staff

The program/project, which would be a combination of the reinstituted CPM program along with GSC offered courses, has not yet begun.

3.3.3 Institutionalize and formalize the processes and practices of FAC

The Office of General Counsel continually reviews and updates the Cabinet's various policies and procedures manuals. As new policies are adopted, employees are notified via email (or a hard copy of the new policy if an employee does not have an email address with the state) and intra-departmental announcements.